

Saskatchewan Economic and Financial Position



July, 1985



Saskatchewan
Finance

Saskatchewan
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1985

Commemorating our Past, Building our Future

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Minister of Finance

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Report from the Minister of Finance



I am pleased to present my annual summary report on Saskatchewan's economic and financial position.

This report provides the latest information on Saskatchewan's economic performance for the 1984 calendar year and on the government's financial results for the fiscal year ended March 31, 1985.

In 1984, Saskatchewan experienced one of the worst droughts since the 1930's. Grain production fell by almost 4 million tonnes, or 19 per cent, from the level recorded in 1983, driving down the real value of the agricultural components of Gross Domestic Product (GDP) by 16.7 per cent.

In the face of this adversity, Saskatchewan's economy displayed a remarkable resilience. The non-agricultural components of GDP recorded a 2.3 per cent real increase in 1984 and consequently the overall GDP of the province fell by only 2.0 per cent in real terms.

Measured in current dollars, Saskatchewan's GDP grew by 3.6 per cent in 1984.

These results were attributable in part to the impact of government policies. One of the top priorities was job creation, and Saskatchewan posted the lowest unemployment rate in Canada for the third consecutive year.

Our policies to stimulate the oil and gas industry resulted in the completion of 2,970 new wells in 1984, an increase of 61 per cent over the old record of 1,843 wells in 1983. As a result, more Saskatchewan jobs were created, more business activity was generated, and more tax revenue was returned to the provincial treasury.

Other areas of the economy stood out in 1984. The total value of Saskatchewan's non-oil mineral sales rose by 40 per cent as resource industries continued their recovery from the depressed markets of the previous two years. The value of manufacturing shipments increased by \$253 million, or 10.5 per cent, which was the best performance of any western province. And, the value of private and public investment in Saskatchewan grew by 3.8 per cent in 1984, exceeding the national growth rate for the second year in a row.

For 1985, Saskatchewan is expected to resume its strong economic performance. The large number of new jobs created in the first

half of 1985 is an early indication of Saskatchewan's renewed economic strength. Over the first six months of this year, total employment in Saskatchewan was up 3.1 per cent (13,500 new jobs) from the same period in 1984. Saskatchewan's employment growth rate ranks first among the western provinces.

The provincial government's financial results for 1984-85 reflect the unique circumstances of the fiscal year. Revenues grew by 6.7 per cent in 1984-85, to \$2,915 million, which was \$96.1 million less than the Budget estimate. The main reason for the shortfall was a mid-year reduction of \$130 million in the federal estimate of Saskatchewan's personal income tax revenue.

Expenditures for 1984-85 totalled \$3,295.0 million, which exceeded the Budget estimate by only \$16.1 million, despite the fact that we added approximately \$25 million in special assistance to farmers hit by adverse weather conditions, and \$11 million in special programs for fire suppression and winter works job creation.

These special allocations were possible because we implemented many internal efficiencies to hold down expenditures overall.

The preliminary deficit for 1984-85, at \$379.4 million, was \$112.2 million higher than estimated. Interest charges on the government share of public debt amounted to only 3.5 per cent of revenues, which compares very favourably to most other jurisdictions.

Given a normal crop year in 1985, and with the revenue and expenditure measures introduced in the new Budget, we aim to reduce the 1985-86 deficit to \$291 million. This reduction would amount to a 23 per cent improvement in fiscal performance in one year, which is the best projected so far by any province in Canada.

In 1985, we will continue to emphasize the process of public participation that we initiated when we first took office. The 1985-86 Budget is an important step forward in this regard. It reflects the priorities outlined by Saskatchewan people — priorities enunciated in the pre-Budget consultations held throughout the province and in the computer survey exercise called the 'Budget Challenge'. Their input helped shape the 1985-86 Budget measures and the priorities for the next five years.

Those priorities are reflected in our five-year Budget plan called 'Partnership For Progress'. Saskatchewan people asked for priority emphasis on four areas: education, employment, agriculture and health care. The 'Partnership For Progress' plan establishes that

emphasis. Public and private organizations that depend on government grants and transfers now have a long-term, focussed commitment for \$1.5 billion in funding.

In exchange for this commitment, recipient organizations will have to demonstrate a willingness to improve the efficiency and effectiveness of provincially funded programs and to develop broader sources of financial support. We believe that this process will encourage better planning and closer coordination and lead to the best possible use of taxpayers' dollars.

Taxation reform was another subject raised repeatedly during our pre-Budget consultation meetings. Growing numbers of taxpayers are coming to the conclusion that the income tax system is unfair and overly complex. New tax measures introduced in the 1985-86 Budget represent a first step towards tax reform. The 1 per cent tax on Net Income is a signal of our intention to move to a broader tax base with lower marginal rates. At the same time, the Low-Income Tax Reduction has been increased by \$100 to preserve the important principle of progressivity.

Our Budget measures have put tax reform on the national agenda. We will press for further changes necessary to attain a fairer and simpler income tax system.

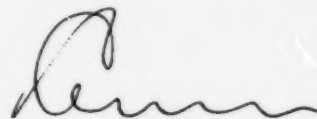
Saskatchewan people have indicated that they want more opportunities to participate in and support the economic growth of their province. We share these aspirations. In June, 1984, we introduced the Saskatchewan Power Savings Bond. This issue, available only to Saskatchewan residents, sold \$10 million more than the original target of \$50 million.

In November, 1984, we introduced a new type of investment vehicle, Saskoil Participation Bonds. These bonds offered both a fixed interest rate and a participation rate based on the sales revenue of the corporation. The entire issue, of \$15 million, was fully subscribed within days.

And this year, in June, Premier Devine announced the Series II issue of Saskatchewan Power Savings Bonds. These bonds received such a strong reception that sales had to be discontinued well before the scheduled closing date.

These bond issues reflect a confidence in the future of Saskatchewan that extends beyond our borders. We have growth prospects second to none. The Conference Board of Canada predicts that Saskatchewan's GDP will grow at a greater rate in 1985 than any other province, and that our GDP and employment growth will lead the nation through the rest of the 1980's.

We are building a future based on a solid foundation, the strength and initiative of Saskatchewan people. The same spirit of individual opportunity that characterized Saskatchewan in its pioneer days has come to the forefront again as Saskatchewan embraces new challenges and new rewards.



Bob Andrew
Minister of Finance

Economic Highlights

Gross Domestic Product

1984

Saskatchewan's Gross Domestic Product (GDP) in current dollars, the measure of the total value of goods and services produced in the province, rose by 3.6 per cent in 1984 over the 1983 level.

Real GDP, which is calculated in terms of constant 1971 dollars, fell by 2.0 per cent in 1984. Real GDP is a measure of the volume of goods and services produced, after adjustment of current dollar GDP for price changes. The 2.0 per cent decline in Saskatchewan's real GDP was a result of the sharp fall in farm output caused by the severe summer drought.

The 1984 grain harvest fell by almost 4 million tonnes or 19 per cent below the level recorded in 1983. The effect of the drought on Saskatchewan's real GDP can be isolated by dividing GDP into agricultural and non-agricultural components. The sum of grain and livestock exports, gross fixed capital formation in the farm sector, and the value of the change in farm inventories measured in 1971 dollars is an approximate measure of the farm sector's share of Saskatchewan's real GDP.

Measured in terms of constant 1971 dollars, the agricultural components of real GDP declined by 16.7 per cent from \$1,202 million in 1983 to \$1,001 million in 1984. The real value of grain exports fell by only \$29 million or 3.1 per cent. However, the real value of farm inventories declined by \$226 million in 1984. This was more than four times greater than the \$54 million decline recorded in 1983. These figures show that farmers sought to maintain deliveries during 1984 despite the drop in grain production by selling off inventories built up during previous good harvests.

The remaining components of GDP increased at an average rate of 2.3 per cent. This is an approximate measure of the real growth of non-farm GDP. The fact that non-farm GDP continued to increase in real terms during 1984 is indicative of the underlying strength of the Saskatchewan economy. A return to normal production levels in the farm sector would generate a strong real growth performance for the economy as a whole in 1985.

It should be noted that the GDP growth estimates for 1984 reported in this document are based on preliminary data and are subject to revision.

1983

As more complete information has become available, previous estimates of real GDP growth in 1983 have been revised. The Saskatchewan Bureau of Statistics' initial estimate that real GDP in 1983 had declined by 0.3 per cent was reported in last year's statement of Saskatchewan's 'Economic and Financial Position'. The real GDP growth estimate for 1983 has since been revised to a 2.4 per cent increase.

More than 60 per cent of the change in the 1983 real GDP growth estimate is attributable to revisions to the real investment figures. The real value of gross fixed capital investment was initially estimated to have declined in 1983 by 1.6 per cent. However, since this preliminary estimate was reported, Statistics Canada has recalculated the price deflators used to convert capital investment in current dollars into real investment measured in 1971 dollars. As a result of this recalculation, real investment is now estimated to have increased by 5.0 per cent between 1982 and 1983.

Personal Income

Personal income totalled \$12,709 million in 1984, up 0.8 per cent from the 1983 total. Labour income, which accounts for more than half of total personal income, rose by 5.9 per cent, which was well above the rate of inflation. However, the drought caused a fall in net farm income from \$819 million in 1983 to \$95 million in 1984. (It should be noted that net farm income includes the value of farm inventory changes and is not a measure of farmers' 'cash flow' income. Realized net farm income, the measure of 'cash flow' income after operating expenses, rose by 14.9 per cent.)

Consumer Prices

The inflation rate for Saskatoon as measured by the change in the Consumer Price Index averaged 3.5 per cent during 1984, down from the 6.3 per cent rate average during 1983. Saskatoon had the third-lowest inflation rate in 1984 among the 15 Canadian cities surveyed by Statistics Canada. The Regina inflation rate matched the national average rate of 4.4 per cent.

Population and Labour Force

Saskatchewan's population on June 1, 1984 was estimated at 1,008,800, up from 993,600 on June 1, 1983. Saskatchewan had the second fastest rate of population increase among Canada's provinces over this period.

The average level of employment rose to 439,000 in 1984 from an average of 436,000 recorded for 1983. The labour force grew to 477,000 in 1984 from the 1983 level of 470,000.

Saskatchewan's unemployment rate averaged 8.0 per cent during 1984. Saskatchewan had the lowest average unemployment rate in Canada for the third consecutive year.

Agriculture

Total production of the six major grains and oilseeds amounted to 16.2 million tonnes, down 19 per cent from the 1983 harvest. However, farm cash receipts from crop deliveries fell by only 2.7 per cent as farmers sold off inventories built up in previous years. Receipts from livestock sales increased by 11 per cent. Total farm cash receipts increased by 6.0 per cent in 1984 to \$4.2 billion as livestock receipts, crop insurance, Western Grain Stabilization pay-outs and deferred payments offset the drop in crop receipts.

As the growth in cash receipts exceeded the increase in operating expenses, realized net farm income, which is the basic measure of cash flow, increased by 14.9 per cent to \$870 million.

Minerals

The total value of mineral sales rose by 34.7 per cent to \$3,623 million in 1984. Uranium led the way with sales in 1984 nearly triple 1983 sales. The value of oil and potash sales increased by 31.2 per cent and 21.0 per cent respectively.

Oil and gas exploration activity continued at a record-setting pace in 1984. A total of 2,970 new wells were completed in 1984, breaking the previous record high of 1,843 wells set in 1983.

Manufacturing and Retail Trade

The value of retail trade totalled \$4,354 million in 1984, down \$3 million or 0.1 per cent from 1983. The decline in retail sales was an indirect consequence of the drought, as uncertainty in the farm sector led to increased consumer caution. Retail sales are now recovering, with total sales in the first four months of 1985 up 6.4 per cent from the same period in 1984.

The value of manufacturing shipments increased by \$253 million to \$2,670 million in 1984. Saskatchewan ranked fourth among the provinces with a 10.5 per cent increase in manufacturing shipments

during 1984. This was the best performance of any western province.

Private and Public Investment

The value of private and public investment rose by 3.8 per cent to total \$5,160 million in 1984. The rate of growth of investment spending in Saskatchewan exceeded the national growth rate for the second year in a row. Statistics Canada's survey of investment intentions indicates that investment spending in Saskatchewan will continue to increase at a faster rate than the national average rate during 1985.

Saskatchewan Economic Statistics

Calendar Year	1980	1981	1982	1983	Preliminary 1984
Gross Domestic Product — Current Prices — Millions of Dollars					
Personal Expenditure on Goods and Services	6,213	7,215	7,789	8,371	8,553
Government Expenditure on Goods and Services	2,179	2,475	2,887	3,168	3,406
Gross Fixed Capital Formation	3,398	4,052	3,570	3,859	3,947
Value of Physical Change in Inventories					
Non-Farm	26	149	(266)	35	265
Farm Inventories and Grain in Commercial Channels	(611)	369	154	(74)	(849)
Exports of Goods and Services	6,786	6,627	6,790	7,196	8,083
Minus: Imports of Goods and Services	5,295	6,383	6,247	6,645	6,750
Total Expenditure	12,695	14,504	14,677	15,910	16,656
Residual Error of Estimate	264	282	336	187	24
Gross Domestic Product	12,959	14,787	15,013	16,097	16,680
Annual Rate of Change (Per Cent)	18.4	14.1	1.5	7.2	3.6
Per Capita Gross Domestic Product (Current Dollars)	13,508	15,271	15,333	16,207	16,534
Gross Domestic Product — Millions of Constant 1971 Dollars					
Personal Expenditure on Goods and Services	3,022	3,154	3,107	3,155	3,109
Government Expenditure on Goods and Services	895	905	931	944	954
Gross Fixed Capital Formation	1,468	1,626	1,332	1,399	1,350
Value of Physical Change in Inventories					
Non-Farm	6	37	(94)	(3)	80
Farm Inventories and Grain in Commercial Channels	(176)	100	33	(54)	(226)
Exports of Goods and Services	1,772	1,649	1,773	1,888	1,968
Minus: Imports of Goods and Services	2,084	2,270	2,017	2,084	2,043
Total Expenditure	4,923	5,261	5,065	5,244	5,192
Residual Error of Estimate	102	101	116	62	8
Real Gross Domestic Product	5,025	5,303	5,181	5,306	5,200
Annual Rate of Change (Per Cent)	2.0	5.5	(2.3)	2.4	(2.0)
Per Capita Gross Domestic Product (1971 Dollars)	5,238	5,476	5,291	5,340	5,154
Gross Domestic Product at Factor Cost by Industry — Current Prices — Millions of Dollars					
Agriculture	1,966	2,352	2,478	2,146	1,309
Forestry	25	26	26	37	42
Mining	1,465	1,466	1,203	1,567	1,981
Construction	689	780	715	822	778
Total Primary Industries and Construction	4,146	4,623	4,423	4,572	4,111
Manufacturing	793	955	866	825	933
Transportation, Communications, and Storage	911	1,019	1,089	1,167	1,262
Utilities	260	298	364	358	413
Trade	1,198	1,403	1,472	1,484	1,581
Finance, Insurance, and Real Estate	1,590	1,715	1,890	2,497	2,721
Services	1,950	2,230	2,485	2,635	2,869
Public Administration	1,024	1,308	1,468	1,566	1,674
Gross Domestic Product at Factor Cost	11,872	13,550	14,058	15,104	15,564
Indirect Taxes Less Subsidies	1,351	1,519	1,291	1,180	1,140
Residual Error of Estimate	(264)	(282)	(336)	(187)	(24)
Gross Domestic Product	12,959	14,787	15,013	16,097	16,680

Saskatchewan Economic Statistics (cont.)

Calendar Year	1980	1981	1982	1983	Preliminary 1984
Trade with the Rest of Canada and Abroad — Current Prices — Millions of Dollars					
Exports					
Grain	2,964	2,689	3,051	3,183	3,211
Crude Oil	1,370	1,249	1,418	1,714	2,011
Potash	1,010	998	643	686	829
Manufactured Goods to Rest of Canada	657	771	766	798	879
Other	785	920	912	815	1,153
Total Exports	6,786	6,627	6,790	7,196	8,083
Imports					
Crude Oil	241	294	336	341	368
Natural Gas	141	160	180	179	175
Manufactured Goods from Rest of Canada	2,125	2,392	2,300	2,503	2,834
Other	2,788	3,537	3,431	3,622	3,373
Total Imports	5,295	6,383	6,247	6,645	6,750
Trade with the Rest of Canada and Abroad — Millions of Constant 1971 Dollars					
Exports					
Grain	812	696	882	944	915
Crude Oil	139	112	123	144	182
Potash	289	261	206	267	257
Manufactured Goods to Rest of Canada	262	281	263	265	279
Other	270	299	299	268	355
Total Exports	1,772	1,649	1,773	1,888	1,968
Imports					
Crude Oil	39	41	36	29	31
Natural Gas	9	10	10	10	9
Manufactured Goods from Rest of Canada	859	878	796	838	912
Other	1,177	1,341	1,175	1,207	1,091
Total Imports	2,084	2,270	2,017	2,084	2,043
Value of Mineral Sales — Millions of Dollars					
Oil	862	821	1,189	1,651	2,166
Potash	1,010	995	643	686	829
Uranium	232	258	251	121	354
Other	147	166	195	232	273
Total Value of Mineral Sales	2,251	2,241	2,278	2,690	3,623
Volume of Mineral Sales					
Oil — Thousands of Cubic Metres	9,313	7,409	8,128	9,526	10,756
Potash — Thousands of Tonnes	7,127	6,357	5,087	6,599	7,032
Uranium — Thousands of Kilograms	2,774	3,123	3,213	1,621	5,811

Saskatchewan Economic Statistics (cont.)

Calendar Year	1980	1981	1982	1983	Preliminary 1984
Personal Income — Millions of Dollars					
Wages, Salaries, and Supplementary Labour Income	5,176	5,972	6,536	6,946	7,357
Net Income Received by Farm Operators from					
Farm Production	639	1,606	1,147	819	95
Other Income	3,075	3,870	4,524	4,845	5,257
Total Personal Income	8,890	11,448	12,207	12,610	12,709
Farm Income — Millions of Dollars					
Farm Cash Receipts	3,290	3,954	4,015	3,962	4,200
Income in Kind and Supplementary Payments	53	96	49	39	61
Realized Gross Farm Income	3,343	4,050	4,064	4,000	4,261
Minus: Operating and Depreciation Charges	2,395	2,908	3,077	3,243	3,391
Realized Net Farm Income	948	1,142	987	757	870
Value of Inventory Change	(299)	434	129	(179)	(748)
Total Net Income of Farm Operators from Farm Production	648	1,575	1,116	578	122
Minus: Amounts Included in Other Components of Gross Domestic					
Product and Transfers to Persons	16	32	26	27	28
Plus: Inventory Adjustments	(10)	24	(27)	86	0
Minus: Revisions not yet incorporated in Provincial Accounts ...	(17)	(38)	(84)	(181)	0
Net Income Received by Farm Operators from					
Farm Production	639	1,606	1,147	819	95
Population and Labour Force — Thousands of Persons					
Population as of June 1	959	968	979	994	1,009
Labour Force	437	446	455	470	477
Participation Rate (Per Cent)	63.0	63.5	63.9	65.2	65.1
Employed	417	425	426	436	439
Unemployed	19	21	28	35	38
Unemployment Rate, Saskatchewan (Per Cent)	4.4	4.7	6.2	7.4	8.0
Unemployment Rate, Canada (Per Cent)	7.5	7.5	11.0	11.9	11.3
Consumer Price Index — Annual Percentage Change					
Regina	10.1	11.7	9.0	6.4	4.4
Saskatoon	10.5	11.7	9.0	6.3	3.5
Canada	10.2	12.5	10.8	5.8	4.4
Private and Public Investment — Millions of Dollars					
New Capital Investment					
Construction	1,874	2,192	2,058	2,231	2,292
Machinery and Equipment	1,451	1,835	1,434	1,514	1,522
Total New Capital Investment	3,325	4,027	3,492	3,745	3,813
Repair and Maintenance	986	1,124	1,178	1,228	1,347
Total Private and Public Investment	4,311	5,151	4,670	4,973	5,160
Other					
Value of Manufacturing Shipments — Millions of Dollars	2,118	2,498	2,328	2,417	2,670
Value of Retail Trade — Millions of Dollars	3,453	3,876	4,042	4,357	4,354
Housing Starts — Units	6,250	5,972	6,822	7,269	5,221
Electric Power Generated — Millions of Kilowatt Hours	9,204	9,683	9,846	10,353	11,526

Note: Components may not add to totals due to rounding.

Sources: Saskatchewan Bureau of Statistics, Saskatchewan Energy and Mines, Statistics Canada

Financial Highlights

1984-85 Fiscal Year Preliminary Results

Summary of Fiscal Position

The preliminary results for the fiscal year 1984-85 indicate that combined Consolidated Fund and Heritage Fund budgetary revenue amounted to \$2,915.6 million while combined budgetary expenditure totalled \$3,295.0 million. This produced a combined budgetary deficit of \$379.4 million for 1984-85.

Combined non-budgetary requirements, which consisted primarily of loans to Crown corporations, were \$489.1 million in 1984-85. Total cash requirements for 1984-85 therefore reached \$868.5 million.

Budgetary Transactions

Combined budgetary revenue grew by 6.7 per cent during 1984-85 to \$2,915.6 million. Due to an extraordinary re-estimate of 1984 personal income taxes by the federal government, Saskatchewan income tax revenues in 1984-85 were \$130 million less than anticipated. However, this shortfall was offset in part by stronger than expected oil revenue growth stemming from increased heavy oil exports and record sales of rights to explore for and develop oil and natural gas reserves located under Crown lands. Oil revenues during 1984-85 rose by 8.2 per cent to \$740.4 million and were the largest single source of funds to the government. The buoyancy in oil revenues is directly attributable to the new oil royalty and incentive program introduced by the government in 1982.

Potash revenues in 1984-85 were up nearly 80 per cent over the 1983-84 level reflecting a higher volume of sales and modestly higher prices. Also, uranium revenues more than doubled during 1984-85 reflecting increased sales as the Key Lake Mine came on stream.

Combined budgetary expenditure amounted to \$3,295.0 million in 1984-85, a 7.5 per cent increase over the previous year. The 1984-85 expenditure level is only \$16.1 million above the original budget estimate despite over \$25 million in unanticipated spending on assistance to farmers faced with losses from adverse weather conditions, \$5 million in unexpected spending for forest fire suppression in northern Saskatchewan, and \$6 million for additional winter works job creation programs.

The largest component of provincial government spending in 1984-85 was transfer payments to local authorities, individuals and other third parties which represented about 70 per cent of total spending. Government directed programs accounted for the remaining 30 per cent of expenditure. Included in the expenditure total is \$265.9 million in capital spending, which includes both direct capital projects and grants to third parties for capital purposes. Interest on the government share of public debt amounted to 3.1 per cent of total expenditure in 1984-85.

Financing and Debt Management

During 1984-85, the Province issued \$219.0 million in medium- and long-term bonds for the purpose of assisting in meeting the capital investment needs of Saskatchewan's Crown corporations.

Of this amount, \$104.3 million was borrowed from the Canada Pension Plan Investment Fund, with Saskatchewan Power Corporation receiving \$80.4 million, Saskatchewan Telecommunications \$14.5 million and Saskatchewan Housing Corporation \$9.4 million. The Saskatchewan Mining Development Corporation received 60 per cent of the proceeds from a \$100 million (U.S.) November, 1984 Eurodollar issue while the Saskatchewan Municipal Financing Corporation (MFC) was allocated 20 per cent of the proceeds of a \$100 million (U.S.) March Eurodollar issue. The MFC portion was swapped for approximately \$26.7 million Canadian dollars. Also, MFC received 50 per cent of the proceeds of a Japanese Yen syndicated loan swapped into Canadian dollars. MFC received about \$28.0 million from this transaction.

In 1984-85, two new investment vehicles were introduced that enabled Saskatchewan residents to participate directly in their Crown corporations. Sixty million dollars of Saskatchewan Power Savings Bonds and \$15 million of Saskoil Participation Bonds were sold by the respective corporations and both issues were unconditionally guaranteed by the Province.

In addition to medium- and long-term financing, the total amount outstanding of Crown corporations' short-term borrowing from the Province was \$94.1 million higher at March 31, 1985 than a year earlier. Short-term borrowing for the purposes of the government increased \$228.9 million during 1984-85. Overall, short-term debt outstanding was up \$323.0 million at March 31, 1985 over March 31, 1984. These funds were raised through the sale of Saskatchewan Treasury Bills and Promissory Notes.

The Province also borrowed \$288.0 million in medium-term debt to help finance the deficit and to meet working capital needs. The Province received \$100 million from a Canadian public market issue in September, 1984, \$53.2 million by swapping 40 per cent of the November, 1984 U.S. Eurodollar offering into Canadian dollars, \$106.8 million Canadian from swapping 80 per cent of the proceeds of the March, 1985 U.S. Eurodollar transaction and \$28.0 million from the Japanese Yen syndicated loan swapped into Canadian dollars.

Debt redemptions, other than short term, amounted to \$7.9 million in 1984-85 of which \$7.0 million was repayment of debt borrowed for the purposes of Saskatchewan Power Corporation. Contributions to the sinking funds managed by the Province totalled \$21.8 million in 1984-85 of which \$21.2 million was contributed by Crown corporations in respect of debt incurred for the purposes of Crown corporations and \$0.6 million was made by the Province in respect of debt issued for the purposes of government.

Assets, Liabilities and Equity

Total combined Consolidated and Heritage Fund assets were \$5,618.7 million at March 31, 1985. Consolidated Fund assets amounted to \$4,623.8 million at year end of which \$4,036.8 million represented loans to Saskatchewan Crown corporations. Heritage Fund assets were \$1,478.5 million at March 31, 1985. Current assets of the Heritage Fund were \$388.1 million while loans and investments in Crown corporations totalled \$915.9 million.

Gross debt of the Province at March 31, 1985 was \$5,910.2 million compared to \$5,088.0 million at March 31, 1984. Approximately 80 per cent of this debt has been incurred to finance the capital investments of Saskatchewan Crown corporations. Saskatchewan Power Corporation and Saskatchewan Telecommunications have been charged with approximately 35.0 per cent and 13.0 per cent respectively of the Province's gross debt at March 31, 1985. About 75.0 per cent of the Province's gross debt at March 31, 1985 was denominated in Canadian dollars, while 25.0 per cent was in U.S. dollars.

The sinking funds available for debt redemption totalled \$353.2 million at March 31, 1985. The Crown corporations' equity in sinking funds totalled \$324.8 million while the Province's share totalled \$28.4 million.

At March 31, 1985, the combined equity of the Province in the Consolidated Fund and Saskatchewan Heritage Fund was \$(31.4) million.

1985-86 Budget Estimates

The Saskatchewan Budget Estimates for 1985-86 project a combined budgetary revenue of \$3,175.4 million and a combined expenditure of \$3,466.7 million, for a combined deficit of \$291.3 million. The estimated 1985-86 deficit is approximately \$88 million less than the preliminary actual deficit for 1984-85. Capital spending and capital related grants are budgeted at \$349.6 million for 1985-86.

The 1985-86 Budget contains a five-year plan of innovation and reform called the 'Partnership for Progress'. This plan provides a total long-term funding commitment of \$1.5 billion for four key areas: education, employment development, agriculture and health care.

Partnership for Progress

(millions of dollars)

Education	\$ 400
Employment Development	600
Agriculture	200
Health Care	300
Total	\$1,500

The financial commitment of the government in the 'Partnership for Progress' plan is accompanied by a requirement that local organizations receiving provincial funding should make appropriate contributions to improvements in their own areas. These contributions could include efficiency improvements, program rationalizations, and the use of local funds.

This expenditure plan will be fully financed over the five years by measures announced in the Budget which include removal of property tax rebates (\$400 million), income tax changes (\$350 million), Crown corporations dividends (\$200 million) and improved expenditure management (\$150 million).

For 1985-86, the overall growth in expenditure will be 5.2 per cent. Funding for the four high-priority areas was made affordable by imposing tight expenditure guidelines and conducting selected 'zero-based' budget reviews. Out of 39 agencies, 29 received either no increase or a reduction in funding.

The new Budget addresses the question of the adequacy of the Income Tax System. Canada has experienced unexpected and unexplained reductions in national income tax receipts, together with a widespread feeling among taxpayers that the system is no longer comprehensible or fair. The 1985-86 Saskatchewan Budget takes a first step towards broadening the revenue base while retaining the principle of progressivity and, at the same time, attempts to raise the level of national debate on the question of tax reform.

Effective July 1, 1985, Saskatchewan is levying a one per cent 'Flat Tax on Net Income'. At the same time, the provincial rate is being cut from 51 per cent to 50 per cent, and the low-income tax reduction is being increased by \$100, thereby shielding those with net incomes under \$10,000 from paying the new tax. The new flat tax has been introduced for an 18 month trial period.

The Budget also reaffirms the government's commitment to reform of Saskatchewan's Crown corporations. Saskatchewan Power Savings Bonds Series II were offered for sale to the province's residents in June, 1985 and further initiatives involving Crown corporations are expected.

The government's 1985-86 capital financing program is estimated to total \$969.3 million, of which \$678.0 million is for the purposes of Crown corporations and \$291.3 million is to finance the deficit. The 1985-86 estimated program is about \$105 million below the 1984-85 Budget estimate and about \$145 million higher than the actual borrowing total during 1984-85.

In terms of sources of funds, the Budget plan indicates that \$90.0 million will be received from the Canada Pension Plan Investment Fund in 1985-86, leaving \$879.3 million to be raised in capital markets. The total funding requirements for 1985-86 are approximately 85 per cent in Canadian dollars and 15 per cent in U.S. dollars. The U.S. currency requirements are for the purposes of the Potash Corporation of Saskatchewan, which markets its output in U.S. dollars and therefore has a natural preference for U.S. dollar debt. Financing for the Budget deficit is expected to involve debt instruments with terms of seven years or less.

Province of Saskatchewan
Statement of Combined Financial Position
(Consolidated Fund and Saskatchewan Heritage Fund)

As at March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Assets					
Consolidated Fund					
Current Assets:					
Cash and Short-Term Investments	\$ 51,320	\$ 115,638	\$ 8,867	\$ 65,599	\$ 84,416
Short-Term Advances to Crown Entities	190,244	85,875	83,200	233,356	163,500
Advance to the Agricultural Division of the Saskatchewan Heritage Fund*	—	—	—	184,436	184,436
Investments in Crown Corporations:					
Crown Investments Corporation of Saskatchewan	6,000	—	—	—	—
Saskatchewan Housing Corporation	7,516	7,516	11,173	—	—
Loans to Crown Corporations:					
Agricultural Credit Corporation of Saskatchewan	102,892	135,892	156,326	169,843	169,843
Crown Investments Corporation of Saskatchewan	226,263	311,263	386,263	406,263	564,263
Municipal Financing Corporation of Saskatchewan	—	—	—	—	54,724
Potash Corporation of Saskatchewan	75,000	125,000	200,000	255,000	255,000
Saskatchewan Economic Development Corporation	60,147	48,147	48,147	48,147	48,147
Saskatchewan Housing Corporation	186,116	227,763	307,913	307,913	317,304
Saskatchewan Land Bank Commission	139,936	174,936	184,436	—	—
Saskatchewan Mining Development Corporation	—	150,000	302,663	302,663	362,663
Saskatchewan Oil and Gas Corporation	25,000	25,000	25,000	25,000	25,000
Saskatchewan Power Corporation	975,371	1,292,177	1,653,975	1,792,162	1,863,612
Saskatchewan Telecommunications	470,050	592,019	690,224	671,671	686,168
Saskatchewan Universities Commission**	1,740	1,740	1,740	—	—
Saskatchewan Water Corporation	14,876	14,876	14,876	14,876	14,876
Less: Crown Corporation Equity in Sinking Funds	232,247	273,263	297,810	285,404	324,832
Working Capital Advances***	149,635	164,294	—	—	—
Other Assets	26,015	30,907	59,581	56,249	154,684
Total Consolidated Fund Assets	\$2,475,875	\$3,229,780	\$3,836,574	\$4,247,774	\$4,623,804
Saskatchewan Heritage Fund					
Current Assets					
Cash	\$ (316)	\$ 31,239	\$ 45,875	\$ 57,009	\$ (466)
Marketable Securities	75,318	51,673	34,200	27,000	89,322
Due from the Consolidated Fund	210,822	132,163	180,214	237,358	299,222
Investments in Crown Corporations:					
Crown Investments Corporation of Saskatchewan	9,976	109,976	109,976	109,976	109,976
Potash Corporation of Saskatchewan	418,554	418,554	418,554	418,554	418,554
Saskatchewan Mining Development Corporation	168,700	218,700	218,700	218,700	218,700
Saskatchewan Oil and Gas Corporation	28,800	63,500	91,500	91,500	91,500
Investment in Agricultural Land and Related Assets*	—	—	—	166,184	163,954
Loans to Crown Corporations:					
Municipal Financing Corporation of Saskatchewan	—	10,000	10,000	—	—
Potash Corporation of Saskatchewan	33,400	33,400	33,400	33,400	28,400
Saskatchewan Grain Car Corporation	55,000	53,166	51,333	51,333	46,350
Saskatchewan Housing Corporation	—	8,000	8,000	—	—
Saskatchewan Power Corporation	2,133	3,254	2,448	2,448	2,448
Other Assets	—	—	—	7,552	10,557
Total Saskatchewan Heritage Fund Assets	\$1,002,387	\$1,133,625	\$1,204,200	\$1,421,314	\$1,478,517
Less: Inter-Fund Assets****	\$ 210,823	\$ 132,163	\$ 180,213	\$ 422,094	\$ 483,658
Total Combined Assets	\$3,267,439	\$4,231,242	\$4,860,561	\$5,246,994	\$5,618,663

- * The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in 1983-84.
- ** The Saskatchewan Universities Commission was dissolved in 1983-84. \$1,740,000 previously recoverable from the Commission is now recoverable from the University of Saskatchewan and is included in Other Assets.
- *** Effective April 1, 1982, the accounting policy regarding Working Capital Advances changed. The balance of Working Capital Advances at that date was written off to Equity or transferred to Other Assets in 1982-83.
- **** Certain assets reported are the result of inter-fund financial transactions. To avoid double counting, these amounts are eliminated to derive Total Combined Assets. As at March 31, 1985 the interfund assets include: (in thousands of dollars)
- | | |
|---|-----------|
| — Advance to the Agricultural Division | \$184,436 |
| — Current Assets of the Saskatchewan Heritage Fund held on deposit in the Consolidated Fund | \$299,222 |
- For the years 1983 and prior, the inter-fund assets include only current assets of the Saskatchewan Heritage Fund held in the Consolidated Fund.

Province of Saskatchewan Statement of Combined Financial Position

(Consolidated Fund and Saskatchewan Heritage Fund)

As at March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Liabilities and Province's Equity					
Liabilities					
Consolidated Fund					
Promissory Notes	\$ 92,000	\$ 113,000	\$ 50,000	\$ 297,000	\$ 612,000
Treasury Bills	141,711	140,446	333,524	451,500	459,540
Debentures	2,298,229	3,120,614	3,994,455	4,339,483	4,838,705
Gross Debt	\$2,531,940	\$3,374,060	\$4,377,979	\$5,087,983	\$ 5,910,245
Less: Total Equity in Sinking Funds	245,126	287,851	314,595	310,677	353,205
Net Public Debt Outstanding	\$2,286,814	\$3,086,209	\$4,063,384	\$4,777,306	\$ 5,557,040
Due to Other Crown Entities*	234,613	179,836	231,088	355,143	386,041
Other Liabilities**	5,266	5,482	34,729	6,509	6,167
Total Consolidated Fund Liabilities	\$2,526,693	\$3,271,527	\$4,329,201	\$5,138,958	\$ 5,949,248
Saskatchewan Heritage Fund					
Advance from the Consolidated Fund***	\$ —	\$ —	\$ —	\$ 184,436	\$ 184,436
Other Liabilities	—	—	—	38	—
Total Heritage Fund Liabilities	\$ —	\$ —	\$ —	\$ 184,474	\$ 184,436
Less: Inter-Fund Liabilities****	\$ 210,823	\$ 132,163	\$ 180,213	\$ 422,094	\$ 483,658
Total Combined Liabilities	\$2,315,870	\$3,139,364	\$4,148,988	\$4,901,338	\$ 5,650,026
Province's Equity					
Consolidated Fund	\$ (50,818)	\$ (41,746)	\$ (492,627)	\$ (891,184)	\$ (1,325,444)
Saskatchewan Heritage Fund	1,002,387	1,133,624	1,204,200	1,236,840	1,294,081
Total Combined Province's Equity	\$ 951,569	\$1,091,878	\$ 711,573	\$ 345,656	\$ (31,363)
Total Combined Liabilities and Province's Equity	\$3,267,439	\$4,231,242	\$4,860,561	\$5,246,994	\$ 5,618,663
Guaranteed Debt	\$ 206,973	\$ 230,183	\$ 268,642	\$ 361,530	\$ 477,863

Province of Saskatchewan Statement of Combined Equity

(Consolidated Fund and Saskatchewan Heritage Fund)

As at March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Total Combined Budgetary Revenue	\$2,406,163	\$2,663,702	\$2,691,126	\$2,733,493	\$ 2,915,628
Total Combined Budgetary Expenditure	2,173,119	2,524,494	2,918,301	3,064,887	3,295,015
Excess of Total Combined Budgetary Revenue over Total Combined Budgetary Expenditure	\$ 233,044	\$ 139,208	\$ (227,175)	\$ (331,394)	\$ (379,387)
Equity, Beginning of Year	717,146	951,569	1,091,878	711,573	345,656
Equity Adjustments*****	1,379	1,101	(153,130)	(34,523)	2,368
Equity End of Year	\$ 951,569	\$1,091,878	\$ 711,573	\$ 345,656	\$ (31,363)

* Other Crown Entities include: Community Capital Fund, Saskatchewan Heritage Fund, Market Development Fund, Saskatchewan Liquor Board, Saskatchewan Diamond Jubilee Corporation, Saskatchewan Cancer Foundation and the Special Projects Fund.

** At March 31, 1983, \$30 million was payable to the Special Projects Fund.

*** The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in 1983-84.

**** Certain liabilities reported are the result of inter-fund financial transactions. To avoid double counting, these amounts are eliminated to derive Total Combined Liabilities. As at March 31, 1985 the inter-fund liabilities include (in thousand of dollars):
— Advance to the Agricultural Division \$184,436
— Current Assets of the Saskatchewan Heritage Fund held on deposit in the Consolidated Fund \$299,222
For the years 1983 and prior, the inter-fund liabilities include only current assets of the Saskatchewan Heritage Fund held in the Consolidated Fund.

***** Effective April 1, 1982, the accounting policy regarding Working Capital Advances changed. The balance of Working Capital Advances at that date was written off to Equity or transferred to Other Assets in 1982-83.

Province of Saskatchewan
Statement of Combined Budgetary Revenue
(Consolidated Fund and Saskatchewan Heritage Fund)

For the Year Ended March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Consolidated Fund					
Provincial Taxes					
Corporation Capital	\$ 9,802	\$ 19,522	\$ 24,222	\$ 28,985	\$ 27,885
Corporation Income	128,152	93,111	87,311	132,205	121,454
Fuel	98,516	120,686	15,046	13,593	32,108
Individual Income	392,859	511,684	683,223	565,209	554,260
Sales	300,475	317,102	312,005	340,325	345,014
Tobacco	29,395	30,594	35,421	48,823	59,967
Other Taxes	16,779	19,291	20,672	26,271	27,267
Receipts from Government Enterprises and Funds					
Saskatchewan Housing Corporation	—	—	—	—	20,074
Saskatchewan Heritage Fund	447,000	585,000	675,000	665,000	775,000
Saskatchewan Liquor Board	70,000	49,000	110,000	79,000	71,000
Other	5,937	7,626	6,930	5,447	9,374
Other Own Source Revenue					
Fines, Forfeits, and Penalties	6,576	6,317	6,079	7,381	7,557
Interest, Premium, Discount and Exchange	14,493	7,676	7,914	8,623	10,160
Lands, Forest, Game, Fur, Fisheries and Water	17,052	18,950	19,867	9,956	10,032
Motor Vehicles	42,611	41,590	45,314	54,187	57,346
Other Privileges, Licences and Permits	5,323	5,591	5,866	7,433	8,015
Sales, Services and Service Fees	25,827	27,139	28,796	34,656	38,359
Other Revenue	19,334	19,436	23,146	20,658	20,311
Receipts from Other Governments					
Canada Assistance Plan	72,246	86,761	123,257	139,766	143,667
Department of Regional Industrial Expansion	21,515	21,389	5,158	6,900	2,665
Equalization Payments	22,299	110,053	(31,837)	(22,913)	(22,913)
Established Programs Financing	262,749	274,854	272,018	372,648	420,181
Statutory Subsidy	2,137	2,159	2,141	2,160	2,178
Other Federal-Provincial Programs	39,268	34,030	37,567	53,213	44,518
Other Receipts from Other Governments	6,107	6,248	8,687	5,931	7,732
Total Consolidated Fund Budgetary Revenue	\$2,056,452	\$2,415,809	\$2,523,803	\$2,605,457	\$2,793,211
Saskatchewan Heritage Fund					
Non-Renewable Resource Revenue					
Coal	\$ 5,081	\$ 7,937	\$ 10,988	\$ 15,775	\$ 17,438
Natural Gas	689	671	1,010	4,595	9,652
Oil	482,712	532,712	700,282	684,534	740,357
Potash	280,264	185,000	36,871	39,702	71,176
Sodium Sulphate	1,385	1,550	1,618	1,696	1,393
Uranium	15,015	29,933	24,403	11,117	25,169
Other Non-Renewable Resources	2,437	880	619	598	436
Agricultural Lands Revenue	—	—	—	20,335	19,011
Investment Revenue					
Interest	9,128	24,210	24,532	14,684	12,785
Dividend from the Crown Investments Corporation	—	50,000	42,000	—	—
Total Saskatchewan Heritage Fund Budgetary Revenue	\$ 796,711	\$ 832,893	\$ 842,323	\$ 793,036	\$ 897,417
Less: Saskatchewan Heritage Fund Dividend to Consolidated Fund*	\$ 447,000	\$ 585,000	\$ 675,000	\$ 665,000	\$ 775,000
Total Combined Budgetary Revenue	\$2,406,163	\$2,663,702	\$2,691,126	\$2,733,493	\$2,915,628

* The Saskatchewan Heritage Fund pays a yearly dividend to the Consolidated Fund. To avoid double counting, this dividend must be eliminated to arrive at Total Combined Budgetary Revenue.

Province of Saskatchewan
Statement of Combined Budgetary Expenditure

(Consolidated Fund and Saskatchewan Heritage Fund)

For the Year Ended March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Consolidated Fund					
Agriculture	\$ 57,620	\$ 76,059	\$ 86,131	\$ 74,490	\$ 109,157
Education and Manpower	446,974	499,637	589,300	645,196	635,987
Health	540,275	614,124	728,704	960,565	1,011,545
Highways	159,736	178,460	191,765	213,725	208,524
Justice	47,382	54,027	67,345	102,954	107,939
Parks and Renewable Resources	32,474	37,200	52,701	55,470	70,166
Social Services	239,466	319,070	443,552	302,359	328,444
Supply and Services	56,593	60,984	66,377	85,739	91,654
Urban Affairs and Rural Development	179,463	201,174	235,681	256,420	267,056
Other	266,482	323,767	318,342	229,720	296,942
Interest on Public Debt — Government Share	21,699	43,337	41,655	56,513	102,470
Total Consolidated Fund Budgetary Expenditure	\$2,048,164	\$2,407,839	\$2,821,553	\$2,983,151	\$3,229,884
Saskatchewan Heritage Fund					
Dividend to Consolidated Fund	\$ 447,000	\$ 585,000	\$ 675,000	\$ 665,000	\$ 775,000
Grants for Petroleum and Natural Gas Exploration, Conservation and Development	60,490	60,200	57,820	35,000	21,960
Canada-Saskatchewan Heavy Oil Agreement Grants	1,852	—	484	1,896	463
Canada-Saskatchewan Heavy Oil and Fossil Fuel Projects	—	—	—	1,309	2,987
Canada-Saskatchewan Renewable Energy and Energy Conservation Demonstration Agreement Projects	711	540	1,548	1,048	113
Payment of Interest Rebates under the Farm Purchase Program	—	—	—	4,190	13,284
Payment to Cover the Deficiency of Land Bank Lease Fees in Meeting Interest Costs Owing on Transferred Land Bank Land	—	—	—	9,107	8,183
Other	12,046	2,377	4,337	3,404	4,821
Provincial Development Expenditures	49,856	53,538	32,559	25,782	13,320
Total Saskatchewan Heritage Fund Budgetary Expenditure	\$ 571,955	\$ 701,655	\$ 771,748	\$ 746,736	\$ 840,131
Less: Saskatchewan Heritage Fund Dividend to Consolidated Fund*	\$ 447,000	\$ 585,000	\$ 675,000	\$ 665,000	\$ 775,000
Total Combined Budgetary Expenditure	\$2,173,119	\$2,524,494	\$2,918,301	\$3,064,887	\$3,295,015
Nature of Expenditure					
Ordinary	\$1,909,646	\$2,245,427	\$2,629,012	\$2,787,487	\$3,029,113
Capital	263,473	279,067	289,289	277,400	265,902
Total Combined Budgetary Expenditure	\$2,173,119	\$2,524,494	\$2,918,301	\$3,064,887	\$3,295,015

* The Saskatchewan Heritage Fund pays a yearly dividend to the Consolidated Fund. To avoid double counting, this dividend must be eliminated to arrive at Total Combined Budgetary Expenditure.

Province of Saskatchewan
Statement of Combined Non-Budgetary Transactions
(Consolidated Fund and Saskatchewan Heritage Fund)

For the Year Ended March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Receipts					
Consolidated Fund					
Repayment of Loans, Advances and Investments in Crown Corporations:					
Crown Investments Corporation of Saskatchewan	\$ —	\$ 21,000	\$ —	\$ —	\$ —
Potash Corporation of Saskatchewan	—	25,000	25,000	25,000	—
Saskatchewan Economic Development Corporation	—	12,000	—	—	—
Saskatchewan Housing Corporation	—	—	—	11,174	—
Saskatchewan Power Corporation	13,665	8,194	34,655	59,982	8,936
Saskatchewan Telecommunications	—	3,031	1,795	41,194	—
Total Repayment of Loans, Advances and Investments in Crown Corporations	\$ 13,665	\$ 69,225	\$ 61,450	\$ 137,350	\$ 8,936
Other Loans and Advances — Net of Disbursements	1,117	(1,264)	(146)	1,899	(91,867)
Other Crown Entities — Net of Disbursements	61,776	(54,777)	51,251	124,055	30,898
Proceeds from Sinking Funds	17,270	7,543	30,112	74,024	15,546
Crown Corporation Contributions to Sinking Funds	22,696	22,277	21,587	23,601	21,179
Other Receipts	2,231	228	2,055	2,678	1,826
Total Consolidated Fund Receipts	\$ 118,755	\$ 43,232	\$ 166,309	\$ 363,607	\$ (13,482)
Saskatchewan Heritage Fund					
Repayment of Loans to Crown Corporations:					
Municipal Financing Corporation of Saskatchewan	\$ —	\$ —	\$ —	\$ 10,000	\$ —
Potash Corporation of Saskatchewan	—	—	—	—	5,000
Saskatchewan Grain Car Corporation	—	1,834	1,833	—	4,983
Saskatchewan Housing Corporation	—	—	—	8,000	—
Saskatchewan Power Corporation	985	1,379	806	—	—
Total Repayment of Loans to Crown Corporations	\$ 985	\$ 3,213	\$ 2,639	\$ 18,000	\$ 9,983
Proceeds From Agricultural Land and Related Assets	—	—	—	2,371	3,429
Total Saskatchewan Heritage Fund Receipts	\$ 985	\$ 3,213	\$ 2,639	\$ 20,371	\$ 13,412
Less: Increase in Amount Due from Consolidated Fund to Saskatchewan Heritage Fund*	\$ 59,513	\$ (78,560)	\$ 48,050	\$ 57,444	\$ 61,564
Total Combined Receipts	\$ 60,227	\$ 125,105	\$ 120,898	\$ 326,534	\$ (61,634)

* A portion of the Current Assets of the Saskatchewan Heritage Fund is held on deposit in the Consolidated Fund. To avoid double counting, the increase in the amount due from the Consolidated Fund must be eliminated to arrive at the Total Combined Receipts.

Province of Saskatchewan
Statement of Combined Non-Budgetary Transactions (cont.)

(Consolidated Fund and Saskatchewan Heritage Fund)

For the Year Ended March 31

(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Disbursements					
Consolidated Fund					
Loans, Advances and Investments in Crown Corporations:					
Crown Investments Corporation of Saskatchewan	\$ 50,000	\$ 100,000	\$ 75,000	\$ 20,000	\$ 158,000
Agricultural Credit Corporation of Saskatchewan	28,600	33,000	20,434	13,517	—
Municipal Financing Corporation of Saskatchewan	—	—	—	—	54,724
Potash Corporation of Saskatchewan	—	75,000	100,000	80,000	—
Saskatchewan Housing Corporation	28,529	41,647	80,150	—	9,391
Saskatchewan Land Bank Commission	30,000	35,000	9,500	—	—
Saskatchewan Mining Development Corporation	—	150,000	152,663	—	60,000
Saskatchewan Power Corporation	50,000	325,000	396,452	198,170	80,386
Saskatchewan Telecommunications	25,000	125,000	100,000	22,641	14,497
Total Loans, Advances and Investments in Crown Corporations	\$ 212,129	\$ 884,647	\$ 934,199	\$ 334,328	\$ 376,998
Sinking Fund Payments	23,384	22,815	22,125	24,198	21,837
Sinking Funds Applied on Redemptions	14,322	7,543	30,112	74,024	15,546
Other Disbursements	15,840	18,371	25,486	16,073	8,765
Total Consolidated Fund Disbursements	\$ 265,675	\$ 933,376	\$ 1,011,922	\$ 448,623	\$ 423,146
Saskatchewan Heritage Fund					
Investments in Crown Corporations:					
Crown Investments Corporation of Saskatchewan	\$ —	\$ 100,000	\$ —	\$ —	\$ —
Saskatchewan Mining Development Corporation	50,000	50,000	—	—	—
Saskatchewan Oil and Gas Corporation	28,800	34,700	28,000	—	—
Loans to Crown Corporations:					
Municipal Financing Corporation of Saskatchewan	—	10,000	—	—	—
Saskatchewan Grain Car Corporation	55,000	—	—	—	—
Saskatchewan Housing Corporation	—	8,000	—	—	—
Saskatchewan Power Corporation	1,300	2,500	—	—	—
Total Loans and Investments in Crown Corporations	\$ 135,100	\$ 205,200	\$ 28,000	\$ —	\$ —
Other Disbursements	—	—	—	5,294	4,287
Total Saskatchewan Heritage Fund Disbursements	\$ 135,100	\$ 205,200	\$ 28,000	\$ 5,294	\$ 4,287
Total Combined Disbursements	\$ 400,775	\$ 1,138,576	\$ 1,039,922	\$ 453,917	\$ 427,433
Excess of Combined Receipts Over Disbursements	\$ (340,548)	\$ (1,013,471)	\$ (919,024)	\$ (127,383)	\$ (489,067)

Province of Saskatchewan
Statement of Combined Financing Activities
(Consolidated Fund and Saskatchewan Heritage Fund)

For the Year Ended March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Budgetary Transactions					
Consolidated Fund					
Revenue	\$ 2,056,452	\$ 2,415,809	\$ 2,523,803	\$ 2,605,457	\$ 2,793,211
Expenditure	2,048,164	2,407,839	2,821,553	2,983,151	3,229,884
Excess of Revenue Over Expenditure	\$ 8,288	\$ 7,970	\$ (297,750)	\$ (377,694)	\$ (436,673)
Saskatchewan Heritage Fund					
Revenue	\$ 796,711	\$ 832,893	\$ 842,323	\$ 793,036	\$ 897,417
Expenditure	571,955	701,655	771,748	746,736	840,131
Excess of Revenue Over Expenditure	\$ 224,756	\$ 131,238	\$ 70,575	\$ 46,300	\$ 57,286
Excess of Combined Revenue over Expenditure	\$ 233,044	\$ 139,208	\$ (227,175)	\$ (331,394)	\$ (379,387)
Non-Budgetary Transactions					
Consolidated Fund					
Receipts	\$ 55,862	\$ 99,273	\$ 115,204	\$ 237,653	\$ (13,482)
Disbursements	202,782	989,417	960,817	322,669	423,146
Excess of Receipts Over Disbursements	\$ (146,920)	\$ (890,144)	\$ (845,613)	\$ (85,016)	\$ (436,628)
Saskatchewan Heritage Fund					
Receipts	\$ 985	\$ 3,213	\$ 2,639	\$ 20,371	\$ 13,412
Disbursements	135,100	205,200	28,000	5,294	4,287
Excess of Receipts Over Disbursements	\$ (134,115)	\$ (201,987)	\$ (25,361)	\$ 15,077	\$ 9,125
Less: Increase in Amount Due from Consolidated Fund to Saskatchewan Heritage Fund*	\$ 59,513	\$ (78,660)	\$ 48,050	\$ 57,444	\$ 61,564
Excess of Combined Receipts Over Disbursements	\$ (340,548)	\$ (1,013,471)	\$ (919,024)	\$ (127,383)	\$ (489,067)
Special Projects Fund Adjustment**	\$ —	\$ —	\$ 30,000	\$ (30,000)	\$ —
Cash Requirement	\$ 107,504	\$ 874,263	\$ 1,116,199	\$ 488,777	\$ 868,454
Financing					
Consolidated Fund					
Public Borrowing:					
Increase in Treasury Bills and Promissory Notes	\$ 91,437	\$ 19,735	\$ 130,077	\$ 364,976	\$ 323,040
Proceeds from Debentures	213,307	885,762	935,565	460,203	507,164
Less: Repayment of Debentures	17,219	63,375	61,724	125,581	7,942
Increase in Public Borrowing	\$ 287,525	\$ 842,122	\$ 1,003,918	\$ 699,598	\$ 822,262
Less: Increase in Current Assets	\$ 148,893	\$ (40,052)	\$ (109,445)	\$ 206,888	\$ (51,039)
Financing for Consolidated Fund	\$ 138,632	\$ 882,174	\$ 1,113,363	\$ 492,710	\$ 873,301
Saskatchewan Heritage Fund					
Less: Increase in Current Assets	\$ 90,641	\$ (70,749)	\$ 45,214	\$ 61,377	\$ 66,411
Add: Increase in Amount Due from Consolidated Fund to Saskatchewan Heritage Fund*	\$ 59,513	\$ (78,660)	\$ 48,050	\$ 57,444	\$ 61,564
Total Combined Financing	\$ 107,504	\$ 874,263	\$ 1,116,199	\$ 488,777	\$ 868,454

* A portion of the Current Assets of the Saskatchewan Heritage Fund is held on deposit in the Consolidated Fund. To avoid double counting, the increase in the amount due from the Consolidated Fund must be eliminated to arrive at the Excess of Combined Receipts Over Disbursements and the Total Combined Financing.

** The Special Projects Fund Act required that a \$30 million charge be recorded as a budgetary expenditure of 1982-83 although the payment was not made until 1983-84. Accordingly, while the amount is reported as a budgetary expenditure, no cash was required to finance the transaction during 1982-83. The actual payment was made in 1983-84.

Province of Saskatchewan Borrowing Transactions

For the Year Ended March 31
(Thousands of Dollars)

	Preliminary 1985
Proceeds from Debt	
Debentures	
Public:	
12.25% semi-annual due September 12, 1989*	\$ 100,000
11.875% annual due November 15, 1989**	113,200
10.75% annual due March 1, 1992***	133,550
7.4% semi-annual due March 28, 1990****	56,027
Non-Public:	
Issued to Government of Canada	113
Agricultural Service Centres	104,274
Canada Pension Plan Investment Fund	
Total Debentures	\$ 507,164
Promissory Notes	
Series PND	\$1,980,000
Series PNI	200,000
Total Promissory Notes	\$2,180,000
Treasury Bills — Series No. 1266	\$1,820,000
Total Proceeds from Debt	\$4,507,164
Repayment of Debt	
Debentures	
Public:	
5.00% semi-annual due September 15, 1984	\$ 6,976
Non-Public:	
Issued to Government of Canada:	
Agricultural Service Centres	299
Municipal Development Loan Fund	573
Federal-Provincial Winter Capital Projects Fund	63
CMHC Mortgage — University of Saskatchewan	31
Total Debentures	\$ 7,942
Promissory Notes — Series PND	\$1,865,000
Treasury Bills	
Series No. 1266	\$1,810,000
Series No. 1276	1,960
Total Treasury Bills	\$1,811,960
Total Repayment of Debt	\$3,684,902
Increase in Public Borrowing	\$ 822,262

- * Canadian public market bond issue.
- ** Euro U.S. dollar public market bond issue with 40 per cent of the proceeds swapped for Canadian dollars.
- *** Euro U.S. dollar public market bond issue swapped for Canadian dollars.
- **** Japanese yen syndicated bank loan swapped for Canadian dollars.

Province of Saskatchewan Total Debt of the Province

As at March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Promissory Notes (for the purpose of)					
Crown Corporations*	\$ —	\$ —	\$ —	\$ 233,356	\$ 329,378
Government of Saskatchewan	92,000	113,000	50,000	63,644	282,622
Total Promissory Notes	\$ 92,000	\$ 113,000	\$ 50,000	\$ 297,000	\$ 612,000
Treasury Bills (for the purpose of)					
Crown Corporations*	\$ 11,711	\$ 10,446	\$ 8,524	\$ 6,500	\$ 4,540
Government of Saskatchewan	130,000	130,000	325,000	445,000	455,000
Total Treasury Bills	\$ 141,711	\$ 140,446	\$ 333,524	\$ 451,500	\$ 459,540
Debentures (for the purpose of)					
Crown Corporations*	\$2,263,940	\$3,086,627	\$3,961,298	\$3,987,038	\$4,199,058
Government of Saskatchewan	20,950	20,950	20,950	156,341	444,364
Other: Federal/Municipal**	11,599	11,297	10,467	9,928	9,107
Investment in Agricultural Land***	—	—	—	184,436	184,436
University of Saskatchewan****	—	—	—	1,740	1,740
Saskatchewan Universities Commission****	1,740	1,740	1,740	—	—
Total Debentures	\$2,298,229	\$3,120,614	\$3,994,455	\$4,339,483	\$4,838,705
Gross Debt	\$2,531,940	\$3,374,060	\$4,377,979	\$5,087,983	\$5,910,245
Equity in Sinking Funds (for the purpose of)					
Crown Corporations	\$ 232,247	\$ 273,263	\$ 297,810	\$ 285,404	\$ 324,832
Government of Saskatchewan	12,879	14,588	16,785	25,272	28,373
Less: Total Equity in Sinking Funds	\$ 245,126	\$ 287,851	\$ 314,595	\$ 310,676	\$ 353,205
Net Debt	\$2,286,814	\$3,086,209	\$4,063,384	\$4,777,307	\$5,557,040
Guaranteed Debt	206,973	230,183	268,642	361,530	477,863
Total Debt of the Province	\$2,493,787	\$3,316,392	\$4,332,026	\$5,138,837	\$6,034,903

* These enterprises are responsible for the repayment of principal and interest.

** These obligations represent monies loaned to the Province by the federal government with the understanding that the monies would be re-loaned to Saskatchewan municipalities under identical conditions.

*** The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in 1983-84. Included in this transfer was \$184,436,000 of debt which is recoverable from the sale of agricultural land.

**** The Saskatchewan Universities Commission was dissolved in 1983-84. \$1,740,000 previously recoverable from the Commission is now recoverable from the University of Saskatchewan.

Province of Saskatchewan Gross Debt by Allocation

As at March 31
(Thousands of Dollars)

	1981	1982	1983	1984	Preliminary 1985
Reimbursable Debt					
Crown Corporations					
Agricultural Credit Corporation of Saskatchewan	\$ 102,892	\$ 135,892	\$ 156,326	\$ 169,843	\$ 169,843
Agricultural Development Corporation	—	—	—	—	7,878
Crown Investments Corporation of Saskatchewan	285,798	343,754	355,079	564,215	587,379
Farm Purchase Program Fund	—	—	—	820	—
Municipal Financing Corporation of Saskatchewan	30,000	17,000	28,000	35,800	54,723
Potash Corporation of Saskatchewan	75,000	125,000	250,000	255,000	305,000
Saskatchewan Development Fund Corporation	2,400	—	—	400	—
Saskatchewan Economic Development Corporation	72,456	84,531	84,531	86,531	84,531
Saskatchewan Housing Corporation	186,116	227,763	307,913	307,913	317,304
Saskatchewan Land Bank Commission*	139,936	174,936	184,436	—	—
Saskatchewan Mining Development Corporation	—	150,000	302,662	302,663	362,662
Saskatchewan Oil and Gas Corporation	25,000	25,000	25,000	25,000	25,000
Saskatchewan Power Corporation	1,024,371	1,292,177	1,653,975	1,792,162	1,917,612
Saskatchewan Telecommunications	507,050	592,019	690,224	671,671	686,168
Saskatchewan Water Corporation	14,876	14,876	14,876	14,876	14,876
Total Crown Corporations	\$2,465,895	\$3,182,948	\$4,053,022	\$4,226,894	\$4,532,976
Other					
Federal/Municipal	\$ 11,599	\$ 11,297	\$ 10,467	\$ 9,928	\$ 9,107
Investment in Agricultural Land*	—	—	—	184,436	184,436
University of Saskatchewan**	—	—	—	2,263	2,256
Saskatchewan Universities Commission**	1,740	1,740	1,740	—	—
Government of Canada***	—	—	—	—	90,000
Total Other	\$ 13,339	\$ 13,037	\$ 12,207	\$ 196,627	\$ 285,799
Total Reimbursable Debt	\$2,479,234	\$3,195,985	\$4,065,229	\$4,423,521	\$4,818,775
Non-Reimbursable Debt					
Government of Saskatchewan	\$ 52,706	\$ 178,075	\$ 312,750	\$ 664,462	\$1,091,470
Gross Debt	\$2,531,940	\$3,374,060	\$4,377,979	\$5,087,983	\$5,910,245

* The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in 1983-84. Included in this transfer was \$184,436,000 of debt which is recoverable from the sale of agricultural land.

** The Saskatchewan Universities Commission was dissolved in 1983-84. \$1,740,000 previously recoverable from the Commission is now recoverable from the University of Saskatchewan.

*** The Province advanced \$90,000,000 to the Saskatchewan Crop Insurance Corporation for the 1984 Crop Year which will be recovered from the federal government in 1985-86.

Crown Investments Corporation of Saskatchewan

Overview

The Crown Investments Corporation of Saskatchewan (CIC) is the provincial government holding company for 14 commercial Crown corporations and for certain other investments. These Crown corporations provide power, telecommunications, financial and other services and are involved in the development of natural resources. Since June 1983, the CIC has operated under the management of the Crown Management Board (CMB).

The annual report of the CIC includes consolidation statements of the financial results of the Crown corporations and brief comments on their performance. Further information on each of the CIC Crown corporations is available in their individual annual reports.

Financial Highlights

The financial performance of the CIC Crown corporations improved significantly in 1984. Consolidated earnings rose by \$121 million in 1984, to \$66 million, compared with a loss of \$55 million for the previous year. Total revenues increased from \$1,895 million in 1983 to \$2,112 million in 1984. Total assets under the administration of CMB grew on a consolidated basis from \$6,392 million to \$6,687 million, despite the transfer of The Saskatchewan Government Printing Company and Municipal Financing Corporation of Saskatchewan out of the CIC and the exclusion of the Saskatchewan Auto Fund effective January 1, 1984.

Five corporations, Saskatchewan Power Corporation, Saskatchewan Telecommunications, Potash Corporation of Saskatchewan, Saskatchewan Mining Development Corporation and the Saskatchewan Oil and Gas Corporation, represent about 88 per cent of the total assets of the CIC. The following is a brief description of each corporation's activities:

Saskatchewan Power Corporation (SPC) In 1984, SPC recorded an overall consolidated net income of \$9.6 million (\$19.7 million loss in 1983) comprised of \$3.1 million from operations and \$6.5 million from extraordinary gains and losses. The positive financial results for the year are due to restraint measures, higher energy requirements of customers, and an electric rate increase authorized by the Public Utilities Review Commission.

During 1984, the Saskatchewan Power Corporation continued to expand and upgrade supply and distribution facilities to meet the province's growing energy requirements. To date, \$393 million has been spent on the Nipawin hydro-electric power project and more than 630 person-years of employment were created at the project site in 1984. Spending on the Saskatchewan Natural Gas Distribution Program totalled \$44.7 million during 1984 and natural gas service was extended to an additional 3,610 new farm customers and 1,363 new urban customers.

Saskatchewan Telecommunications (Sask Tel) Sask Tel recorded its best financial performance ever, a profit of \$35.6 million, up considerably from \$11.9 million in 1983. This growth can be attributed to substantially increased customer demand for services (particularly data services for business clients), improved operating efficiencies, the full impact of previously approved rate increases and increasingly effective cost recovery and control programs.

In mid-October, the fibre optic system was completed on time and under budget. The 3,268 km., \$58 million communications system links Saskatchewan's 52 largest communities. It is the largest commercial facility of its kind in the world.

Potash Corporation of Saskatchewan (PCS) The earnings of PCS recovered substantially in 1984, to \$25 million, from the 1983 loss of \$18 million. In large part, this recovery was a function of strong offshore sales by Canpotex, the industry marketing agency for sales to non-North American markets. Sales in North America (especially the U.S.A.) were weak, principally because of poor farm incomes for the second consecutive year. Consequently, supply exceeded demand and there was little price recovery.

Sales revenues in 1984 were \$272 million, on sales of 4.05 million tonnes (KCI), up from sales of \$211 million on 3.59 million tonnes in 1983. Production in 1984 of 4.5 million tonnes was a record for the corporation and considerably higher than the 1983 level of 3.11 million tonnes.

Saskatchewan Mining Development Corporation (SMDC) SMDC reported net income of \$15.2 million in 1984 (compared to \$2.1 million in 1983) on uranium sales of \$133 million. Uranium supply continued to exceed demand through 1984. Consequently, spot prices for this commodity were soft. However, as the majority of SMDC's sales are under long-term contracts, with prices above the spot level, the corporation is partially protected from spot price fluctuations.

The Key Lake mine, in which SMDC holds a 50 per cent interest, produced 10.4 million pounds of U_3O_8 in its first year of operation, about 87 per cent of its rated capacity of 12 million pounds. SMDC's share of the product has either been sold and delivered to utility customers or used for repayment of product borrowed in previous years from utilities. Meanwhile the Cluff Lake mine, in which SMDC holds a 20 per cent interest, completed its fourth year of successful commercial operation. Modifications to the mill, required to process the Phase II ore, were completed under budget and ahead of schedule, permitting production of 1.6 million pounds of U_3O_8 in 1984.

SMDC's uranium exploration program was concentrated on projects in areas of either proven mineralization or with access to existing facilities. The corporation's uranium reserves have almost doubled over the year, primarily as a result of the delineation drilling on the Cigar Lake project, in which SMDC is a 50.75 per cent shareholder. Continued work on this project confirms the Cigar Lake deposit as the world's largest high grade uranium ore body. The reserve estimates in the main mineralized pod are about 285 million pounds at a grade of 14 per cent U_3O_8 . At its western extension, there are an additional 100 million pounds of inferred reserves at a grade of nearly 5 per cent.

Saskatchewan Oil and Gas Corporation (Saskoil) Saskoil experienced another record year in 1984 as earnings reached the highest level since the corporation's inception in 1973. Net income of \$44 million represents an increase of more than 40 per cent from its previous record of \$30.9 million set in 1983. Return on capital employed of 21.8 per cent makes Saskoil one of the most profitable oil companies in Canada.

The year's success can be attributed to three major factors: an abnormally mild winter during the first quarter, lower average royalty rates, and higher crude oil prices. These factors, combined with the record production and sale of 819 thousand cubic metres of oil, increased the cashflow from operations to \$63.2 million, or 44 per cent higher than the previous year.

Corporate cashflow supported an aggressive capital spending program of \$44.2 million, up from \$30.1 million in 1983. Drilling activity on Saskoil properties was up 70 per cent from the previous year to 429 wells.

Crown Investments Corporation of Saskatchewan Consolidated Statement of Financial Position

As at December 31
(Thousands of Dollars)

	1980	1981	1982	1983	1984
Assets					
Current	\$ 630,371	\$ 606,811	\$ 785,447	\$ 732,106	\$ 769,700
Investments	340,241	447,999	525,743	472,857	470,254
Property, Plant and Equipment	3,293,704	3,884,760	4,390,717	4,971,790	5,172,967
Deferred Charges	98,400	121,631	155,128	215,574	274,266
Total Assets	\$4,362,716	\$5,061,201	\$5,857,035	\$6,392,327	\$6,687,187
Liabilities and Province's Equity					
Current	\$1,229,583	\$1,049,279	\$1,157,345	\$1,091,706	\$1,117,326
Deferred Revenue	—	28,779	66,068	130,014	109,363
Long-term Debt	1,866,227	2,395,328	3,179,479	3,764,343	3,991,085
Province of Saskatchewan's Equity	1,266,906	1,587,815	1,454,143	1,406,264	1,469,413
Total Liabilities and Province's Equity	\$4,362,716	\$5,061,201	\$5,857,035	\$6,392,327	\$6,687,187

Crown Investments Corporation of Saskatchewan Consolidated Statement of Operations

For the Fiscal Year Ended December 31
(Thousands of Dollars)

	1980	1981	1982	1983	1984
Revenue					
Sales of Products and Services	\$1,313,116	\$1,657,329	\$1,613,648	\$1,768,199	\$1,994,592
Revenue from Investments	57,705	74,641	80,730	75,783	56,223
Other	32,501	32,599	40,870	50,589	61,105
Total Revenue	\$1,403,322	\$1,764,569	\$1,735,248	\$1,894,571	\$2,111,920
Expenses					
Operating Costs other than those listed below	\$ 801,940	\$1,075,599	\$1,270,729	\$1,303,500	\$1,229,264
Interest	154,397	251,387	294,003	320,421	426,872
Depreciation and Depletion	133,900	191,218	201,868	216,453	271,394
Saskatchewan Taxes and Resource Payments	140,237	130,644	94,642	110,084	125,082
Total Expenses	\$1,230,474	\$1,648,848	\$1,861,242	\$1,950,458	\$2,052,612
Earnings before Extraordinary Item	\$ 172,848	\$ 115,721	\$ (125,994)	\$ (55,887)	\$ 59,308
Extraordinary Item	\$ 9,756	\$ —	\$ —	\$ —	\$ 7,684
Net Earnings	\$ 182,604	\$ 115,721	\$ (125,994)	\$ (55,887)	\$ 66,992

Note: During 1984, the Municipal Financing Corporation of Saskatchewan and the Saskatchewan Government Printing Company were transferred out of the Crown Management Board group. 1983 results have been restated to reflect this transfer as follows: consolidated assets reduced by \$84.9 million, consolidated liabilities reduced by \$86.9 million, consolidated reinvested earnings increased by \$2 million, and consolidated loss increased by \$1.1 million. For the years 1982 and prior the results have not been restated.

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